

**DEPARTMENT OF HOUSING AND COMMUNITY
DEVELOPMENT**

**OVERSIGHT PERFORMANCE HEARINGS
FOR
FISCAL YEAR 2003 AND FISCAL YEAR 2004
BUDGETS**

**BEFORE
THE COMMITTEE ON ECONOMIC
DEVELOPMENT
HAROLD BRAZIL, CHAIRMAN
COUNCIL OF THE DISTRICT OF COLUMBIA**



**TESTIMONY OF STANLEY JACKSON
DIRECTOR
DEPARTMENT OF HOUSING AND COMMUNITY
DEVELOPMENT**

FEBRUARY 18, 2004

GOOD MORNING CHAIRMAN BRAZIL, MEMBERS OF THE ECONOMIC DEVELOPMENT COMMITTEE AND STAFF. I AM STANLEY JACKSON, DIRECTOR OF THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (DHCD OR THE DEPARTMENT).

SEATED HERE WITH ME ARE:

- **PAUL SAVAGE, DEPUTY DIRECTOR, OFFICE OF STRATEGY AND COMMUNICATIONS;**
- **ROBERT MULDERIG, DEPUTY DIRECTOR, DIVISION OF RESIDENTIAL AND COMMUNITY SERVICES;**
- **GEORGE DINES, CHIEF FINANCIAL OFFICER, DHCD;**
- **WILMA MATTHIAS, DEPUTY DIRECTOR, OFFICE OF PROGRAM MONITORING; AND**
- **LAWRENCE CAGER, DEPUTY DIRECTOR, DIVISION OF DEVELOPMENT FINANCE.**

I COME BEFORE YOU TODAY TO TESTIFY ON THE DEPARTMENT'S ACTIVITIES, ACCOMPLISHMENTS, AND CHALLENGES DURING FISCAL YEAR (FY) 2003 AND FISCAL YEAR 2004 TO DATE.

THE DEPARTMENT CONTINUES TO PROGRESS AND I AM PROUD TO SAY THAT WE ARE NOW A MORE EFFICIENT AND MORE PRODUCTIVE AGENCY. IN FY 2003, THE DEPARTMENT MET MANY GOALS AND RESPONDED TO CHALLENGES WITH SUCCESS. OUR

AFFORDABLE HOUSING INITIATIVES CONTINUE TO PRODUCE GOOD RESULTS, DESPITE THE CHALLENGE OF THE ROBUST REAL ESTATE MARKET. THE STRONG MARKET HAS SQUEEZED OUT PRIVATE, AFFORDABLE HOUSING OPPORTUNITIES FOR OUR LOWER-INCOME RESIDENTS AND RECENTLY, FOR EVEN OUR MODERATE-INCOME RESIDENTS. IN ADDITION, WE CONTINUE TO RESPOND TO INHERITED UNRESOLVED CHALLENGES.

I. AGENCY ACCOMPLISHMENTS IN FY 2003 TO DATE

• HUD'S SPENDING REQUIREMENT

IN FY 2003, DHCD MET THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT'S (HUD) MANDATED COMMUNITY DEVELOPMENT BLOCK GRANT SPENDING REQUIREMENT BY THE JULY 31ST DEADLINE.

• RESIDENTIAL AND COMMUNITY SERVICES REQUEST FOR APPLICATIONS (RFA) COMPETITIVE PROCESS

IN JUNE 2003, DHCD ISSUED AN RFA FOR TWO SPECIFIC NEIGHBORHOOD-BASED ACTIVITIES: (1) COMMERCIAL DISTRICT AND SMALL BUSINESS TECHNICAL ASSISTANCE; AND (2) PRESERVATION OF AFFORDABLE HOUSING IN FEDERALLY SUBSIDIZED PROPERTIES. DHCD RECEIVED 17 APPLICATIONS TOTALING \$5.5 MILLION FOR \$2.5 MILLION IN AVAILABLE

FUNDING.

- **PRESERVING AFFORDABLE HOUSING WITH FEDERAL SUBSIDIES**

FIVE OF THE AGENCIES SELECTED THROUGH THE RFA PROCESS WILL PROVIDE ASSISTANCE TO TENANTS IN MORE THAN 4,000 PRIVATELY OWNED RENTAL UNITS WITH PENDING EXPIRING FEDERAL SUBSIDIES. THESE AGENCIES WILL HELP THE TENANTS ORGANIZE TO PURCHASE THEIR BUILDINGS OR FIND OTHER AFFORDABLE HOUSING SOLUTIONS. IN ADDITION, 5 AGENCIES WILL PROVIDE COMMERCIAL CORRIDOR DEVELOPMENT AND SMALL BUSINESS TECHNICAL ASSISTANCE.

- **HPAP REGULATION CHANGES**

DHCD RECOMMENDED REGULATION CHANGES, WHICH WERE APPROVED BY THE COUNCIL, TO THE HOME PURCHASE ASSISTANCE PROGRAM (HPAP). THESE CHANGES WILL IMPROVE THE LEVEL OF ASSISTANCE TO FIRST-TIME HOMEBUYERS BY (1) INCREASING THE MAXIMUM DOWN PAYMENT AND CLOSING COST ASSISTANCE FOR VERY- LOW AND LOW-INCOME BORROWERS AND (2) DEFERRING REPAYMENTS ON HPAP LOANS FOR THE FIRST FIVE YEARS FOLLOWING HOME PURCHASE FOR LOW-AND MODERATE-INCOME HPAP BORROWERS.

- **REQUEST FOR PROPOSALS (RFP) FOR DEVELOPMENT PROJECTS**

DHCD ISSUED AN RFP FOR DEVELOPMENT PROJECTS THAT RESULTED IN FORTY-FIVE (45) PROPOSALS TOTALING \$53.4 MILLION FOR \$35 MILLION IN AVAILABLE FUNDS. TWENTY-FOUR (24) PROPOSALS WERE SELECTED FOR FURTHER EVALUATION AND UNDERWRITING. THE 24 PROJECTS WILL LEVERAGE OVER \$157 MILLION OF PRIVATE FUNDING FOR A RATIO OF 4.48-1.

- **HOUSING PRODUCTION TRUST FUND (HPTF) SPENDING**
FOR FY 2003 AND 2004, \$20,000,000 WAS AVAILABLE FOR FY 2003 AND 2004 RFP PROJECTS. DHCD HAS OBLIGATED AND OR SPENT \$14,476,644 IN HPTF DOLLARS FOR SEVEN MAJOR AFFORDABLE HOUSING PROJECTS, WHICH PRODUCED 1,621 AFFORDABLE UNITS. THE REMAINING \$5.5 MILLION DOLLARS WILL BE OBLIGATED AND OR SPENT ON EIGHT AFFORDABLE HOUSING PROJECTS, WHICH WILL PRODUCE AN ADDITIONAL 270 AFFORDABLE UNITS, IN THE NEXT QUARTER.

- **OUTREACH EFFORTS**
DURING FISCAL YEARS 2003 AND 2004, DHCD CONTINUED ITS AFFORDABLE HOUSING OUTREACH AND EDUCATION INITIATIVES:

- 1. DHCD DISSEMINATED OVER 4,000 FAIR HOUSING BROCHURES THROUGHOUT THE CITY AND HELD ITS SECOND FAIR HOUSING SYMPOSIUM WITH 180 ATTENDEES, IN PARTNERSHIP WITH THE OFFICE OF HUMAN RIGHTS AND THE EQUAL RIGHTS CENTER, A NON-PROFIT ORGANIZATION;**
- 2. DEVELOPED AND TRANSLATED PROGRAM AND EDUCATIONAL BROCHURES INTO CHINESE, VIETNAMESE, AND SPANISH TO MEET THE NEEDS OF OUR IMMIGRANT CONSTITUENTS; AND**
- 3. WE CONDUCTED SEVERAL HOMEBUYING SEMINARS FOR D.C. GOVERNMENT EMPLOYEES.**

- **FAIR HOUSING AWARD**

DHCD RECEIVED A COMPETITIVELY AWARDED GRANT OF \$100,000 IN DECEMBER 2003 FROM HUD TO PROVIDE FAIR HOUSING AND HOMEOWNERSHIP EDUCATION AND OUTREACH TO DISTRICT RESIDENTS, PARTICULARLY THE IMMIGRANT COMMUNITY, AND TO THE HOUSING PROFESSIONALS.

- **LEAD SAFE GRANTS**

ON BEHALF OF THE DISTRICT, DHCD ALSO RECEIVED TWO HUD GRANTS TOTALING \$4.9 MILLION DOLLARS, TO IMPLEMENT INITIATIVES TO REDUCE LEAD-BASED PAINT HAZARDS IN DISTRICT HOUSING. THESE FUNDS WILL HELP MAKE MORE THAN 400 SINGLE AND MULTI-FAMILY AFFORDABLE HOUSING UNITS

LEAD SAFE. THE FOCUS OF ONE OF THE GRANTS WILL BE OLDER HOMES BUILT BEFORE 1978 IN THE IVY CITY/TRINIDAD, MARSHALL HEIGHTS/DEANWOOD AND CONGRESS HEIGHTS AREAS. THE SECOND GRANT WILL BE USED CITY WIDE. WE ARE ONE OF THE FEW JURISDICTIONS TO RECEIVE BOTH LEAD-BASED PAINT HOUSING GRANTS.

- **POTHOLE AWARD**

ON JUNE 23, 2003, THE OFFICE OF LABOR-MANAGEMENT AWARDED DHCD THE LABOR-MANAGEMENT PARTNERSHIP “POTHOLE AWARD.” THIS AWARD IS GIVEN TO THE AGENCY THAT DEMONSTRATES HOW IT IMPROVES AND ENHANCES THE DELIVERY OF CUSTOMER SERVICE. DHCD WON THE AWARD BECAUSE IT IMPROVED TELEPHONE CUSTOMER SERVICE, PROFESSIONALISM, KNOWLEDGE, COURTESY, AND INNOVATION. DHCD’S LABOR-MANAGEMENT PARTNERSHIP ACCEPTED THE FIRST PLACE MONETARY AWARD OF \$2,500.

- **ADOPT A SCHOOL (PATRICIA R. HARRIS)**

AS PART OF THE DEPARTMENT’S NEIGHBORHOOD REVITALIZATION STRATEGY IN THE BELLEVUE COMMUNITY, IN WARD 8, DHCD HAS TAKEN A PERSONAL INTEREST IN COMMUNITY-BUILDING. THE AGENCY, IN CONJUNCTION WITH THE DHCD LABOR-MANAGEMENT PARTNERSHIP AND THE

EMPLOYEE ASSOCIATION, ADOPTED THE PATRICIA R. HARRIS EDUCATION CENTER, WHICH HAS APPROXIMATELY 900 STUDENTS. DHCD HAS DONATED SCHOOL SUPPLIES, BOOKS, COMPUTERS, AND WINTER CLOTHES, ALONG WITH THANKSGIVING BASKETS TO IDENTIFIED NEEDY FAMILIES. WE ALSO INVITED THE SCHOOL'S TOP HONOR ROLL STUDENTS TO PARTICIPATE IN OUR ANNUAL HOLIDAY CELEBRATION.

- **ON-GOING MONITORING EFFORTS**

SPENDING OBLIGATIONS ARE REGULARLY RECONCILED THROUGH THE DISTRICT'S SYSTEM OF ACCOUNTING AND REPORTING (SOAR) AND HUD'S INTEGRATED DISBURSEMENT AND INFORMATION SYSTEM (IDIS). ADDITIONALLY, WE HOLD BI-WEEKLY MEETINGS ON THE STATUS OF PROJECT ACTIVITY, EXPENDITURE LEVELS, AND PERFORMANCE GOAL ATTAINMENT.

WE ALSO HAVE BEEN MONITORING AND REVIEWING THE EMERGENCY SHELTER GRANT (ESG) PROGRAM AND THE LOW-INCOME HOUSING TAX CREDIT (LIHTC) PROGRAM. THESE REVIEWS **WERE SUCCESSFUL AND HELPED TO IMPROVE OUR COMPLIANCE WITH ESG REGULATIONS AND RESULTED IN A QUALIFIED LIHTC ALLOCATION PLAN.**

II. OUR CHALLENGES

WHILE WE CONTINUE TO MAKE TREMENDOUS PROGRESS, WE HAVE MANY CHALLENGES FACING US, INCLUDING BUT NOT LIMITED TO THE CURRENT HOUSING MARKET, REDUCED FINANCIAL RESOURCES, REGULATORY CHANGES AND INHERITED COMPLIANCE ISSUES.

- **CURRENT CHALLENGES OF THE MARKETPLACE**

THE DRASTIC INCREASE IN HOUSING COSTS PRESENT A SIGNIFICANT CHALLENGE FOR LOW- AND MODERATE-INCOME RESIDENTS TO PURCHASE A HOME. WHILE HOME PRICES HAVE RISEN DRAMATICALLY IN THE PAST FEW YEARS, THE MEDIAN ANNUAL INCOME FOR DISTRICT HOUSEHOLDS HAS INCREASED AT A MUCH LOWER RATE DURING THE SAME PERIOD. THIS WIDENS THE PRICE-AFFORDABILITY GAP BETWEEN WHAT HOUSING COSTS AND WHAT HOUSEHOLDS CAN AFFORD TO PAY.

- **RESOURCE REDUCTION**

DHCD EXPERIENCED SEVERAL BUDGET CUTS IN FY 2003. OUR CDBG FUNDS WERE REDUCED BY \$1.1 MILLION FOR FY 2003, AND OUR LOCAL APPROPRIATED BUDGET WAS REDUCED BY \$1.2 MILLION. SUCH FUNDING REDUCTIONS HINDER OUR EFFORTS TO EXPAND THE SUPPLY OF AFFORDABLE HOUSING.

- **LEAD-BASED PAINT LEGISLATIVE CHALLENGES**

THE IMPLEMENTATION OF HUD'S LEAD-BASED PAINT REGULATIONS REQUIRE THAT HOME IMPROVEMENT CONTRACTORS MUST HAVE SPECIFIC TRAINING OR

CERTIFICATION IN LEAD HAZARD ABATEMENT TO WORK ON REHABILITATION PROJECTS ASSISTED WITH FEDERAL FUNDS. THE DISTRICT'S OWN LEAD-BASED PAINT LAW IS EVEN MORE STRIDENT THAN THE FEDERAL LAW. COMPLIANCE WITH THESE REQUIREMENTS SUBSTANTIALLY INCREASES A PROJECT'S COST AND DISCOURAGES SOME DEVELOPERS FROM PARTICIPATING IN LEAD SAFETY EFFORTS.

- **HOUSING PRODUCTION TRUST FUND 5% ADMINISTRATIVE CAP**

THE HPTF PRESENTS THE DEPARTMENT WITH AN UNFUNDED MANDATE AS IT LIMITS DHCD TO RECEIVING ONLY 5% OF DISBURSED FUNDS FOR ADMINISTRATIVE COSTS EACH YEAR. DHCD MUST PROVIDE OVERSIGHT AND LONG TERM MONITORING OF THE AFFORDABLE UNITS FOR THE LIFE OF EACH PROJECT. THE 5% CAP LIMITS SUFFICIENT ADMINISTRATIVE DOLLARS TO SUPPORT THE ONGOING MONITORING REQUIREMENT.

III. LOOKING FORWARD

AS WE LOOK FORWARD, WE WILL CONTINUE THE AGENCY'S EFFORTS TO BUILD NEW PARTNERSHIPS IN THE FUNDING AND DEVELOPMENT COMMUNITY FOR GREATER LEVERAGING, RESOURCE UTILIZATION, AND PERFORMANCE OUTCOMES. WE WILL CONTINUE TO FOCUS ON CREATING NEW AND INNOVATIVE FINANCIAL PARTNERSHIPS TO FACILITATE THE DEVELOPMENT AND EXPANSION OF AFFORDABLE HOUSING.

WE WILL CONTINUE TO ENCOURAGE CITIZEN PARTICIPATION AND FULLY IMPLEMENT OUR COMMUNITY AMBASSADOR'S PROGRAM, WHICH BRINGS DHCD STAFF OUT INTO THE COMMUNITY FOR CITIZEN EDUCATION AND DIALOGUE.

DHCD WILL FOCUS OUR DEVELOPMENT AND NEIGHBORHOOD REVITALIZATION ACTIVITIES STRATEGICALLY BY ALLOCATING THE DEPARTMENT'S RESOURCES TO AREAS THAT ARE TARGETED BY OUR PARTNERS.

IN DECEMBER 2003, THE DHCD REFORM ADVISORY COMMISSION WAS SWORN IN. DHCD IS WORKING WITH THE COMMISSION TO ENSURE THAT THE COMMISSION MEETS ITS OBLIGATIONS UNDER

**THE REGULATIONS TO IDENTIFY AND RECOMMEND
OPPORTUNITIES FOR IMPROVEMENTS AT DHCD.**

**IN CONCLUSION, WE WILL CONTINUE TO STRENGTHEN OUR
DELIVERY AND MANAGEMENT OF PROGRAMS AND OPERATIONS
BY:**

- (1) WORKING WITH OUR STAKEHOLDERS TO IDENTIFY AND MEET
THE DISTRICT'S NEEDS;**
- (2) LEVERAGING OUR DOLLARS WITH OTHER COMMUNITY
INVESTMENTS; AND**
- (3) IMPROVING OUR MONITORING OF SUBRECIPIENTS, PROJECTS,
AND ACTIVITIES.**

**COUNCILMEMBER BRAZIL, THIS CONCLUDES MY TESTIMONY
AND I WILL BE HAPPY TO ANSWER ANY QUESTIONS THAT YOU
MAY HAVE. THANK YOU.**